

Page 6

1 Q. You've already met the other
2 people in the room as well. I'm just
3 going to go over a few preliminary
4 instructions for you for this deposition.
5 If you have any questions in the course
6 of those instructions let me know.
7 First of all, I'll ask you,
8 is there any reason physical or mental
9 why you may not be able to understand any
10 of my questions today?
11 A. No.
12 Q. Any reason why you may not
13 be able to fully and truthfully answer
14 those questions?
15 A. No.
16 Q. It's best for the court
17 reporter that we do everything explicitly
18 and verbally. So for example, she has a
19 hard time taking down hand gestures,
20 nodes of the head, shakes of the head,
21 that sort of thing, so if you could
22 affirmatively answer with a verbal
23 response.
24 A. Okay.

Page 7

1 Q. If you need a break at any
2 point, David knows I don't have a problem
3 with that just let me know, for any
4 reason, and we'll take a break.
5 A. Okay, good.
6 Q. If during the course of my
7 questioning or any lawyer's questioning
8 you don't understand a question if you
9 could please ask the person asking the
10 question to rephrase it and they will
11 certainly be happy to do that for you.
12 Okay?
13 A. Okay.
14 Q. And similarly if you don't
15 recall a question, myself and David are
16 arguing about something and you've
17 forgotten what I've asked you, just ask
18 that it be repeated or if you didn't hear
19 part of the question ask that it be
20 repeated and I'll do that for you. Okay?
21 A. Okay.
22 Q. So if you do answer a
23 question I will assume that you
24 understood the question; is that fair?

Page 8

1 A. Fair. Yes.
2 Q. And the last thing is it's
3 best if we try to have just one person
4 speaking at a time, it causes some
5 confusion if we do that so I'll try to
6 let you complete your answer before I ask
7 my next question and if you could let me
8 finish my question before you answer the
9 question please. Okay?
10 A. Okay.
11 Q. All right. Mr. Karian, what
12 position do you currently hold at L.A.
13 Weight Loss?
14 A. CEO and president.
15 Q. You are also one of the
16 owners; is that correct?
17 A. I'm the only owner.
18 Q. You're the sole owner?
19 A. Yes, correct.
20 Q. So Harold Katz, was Harold
21 Katz ever an owner of L.A. Weight Loss?
22 A. Yes, he was.
23 Q. And when did he no longer--
24 when was he no longer an owner?

Page 9

1 A. Effective August 28th.
2 Q. Of this year?
3 A. Of this year. Let me--
4 might have been-- effective August 28th
5 but the papers were signed on
6 September 27th, so legally which day it
7 really was.
8 Q. So you purchased all of Mr.
9 Katz' ownership interest in L.A. Weight
10 Loss, correct?
11 A. We split off a portion of
12 L.A. Weight Loss. We essentially split
13 the company where he took the franchise
14 portion of the business and I kept the
15 corporate owned portion, corporate owned
16 stores.
17 Q. How does that work exactly,
18 was there a separate corporation
19 organized to franchise L.A. Weight Loss?
20 A. Yes, yes. He formed it as a
21 result of the split.
22 Q. I don't want to get too far
23 into that but what's the name of that
24 corporation?

Page 10

1 A. I believe it's L.A. Weight
2 Loss Franchise Corporation.
3 Q. Currently does Mr. Katz hold
4 any offices or titles with L.A. Weight
5 Loss Centers Incorporated?
6 A. No.
7 Q. Prior to this sale and split
8 off of the franchise portion of the
9 business, what percentage of the company
10 did Mr. Katz own?
11 A. Fifty percent.
12 Q. Do you own the other
13 50 percent?
14 A. Yes.
15 Q. At some point in time Mr.
16 Moyer also, Scott Moyer, also owned an
17 interest in the company, correct?
18 A. Yes.
19 Q. And that ended back in 2001;
20 is that correct, or 2000?
21 A. I think it was 2002.
22 Q. 2002?
23 A. I believe so.
24 Q. And he owned about a five

Page 11

1 percent interest; is that correct?
2 A. Yes. Five percent of the
3 non-voting stocks.
4 Q. Prior to the sale and the
5 split off of the franchise portion of the
6 business, did Mr. Katz hold any offices
7 with L.A. Weight Loss Centers
8 Incorporated?
9 A. He was co-chairman of the
10 board, that was it.
11 Q. Have you been the chief
12 executive officer since the start of L.A.
13 Weight Loss Centers Incorporated?
14 A. Yes.
15 Q. You've been the president
16 since the start of L.A. Weight Loss
17 Centers?
18 A. Yes.
19 Q. Seems to me I recall
20 something about your spouse being
21 involved in running either this business
22 L.A. Weight Loss Centers Incorporated or
23 Quick Weight Loss; is that memory correct
24 or --

Page 12

1 A. No. She had jobs in the
2 early '90s, 1990, '91, but then we had
3 children so she's a homemaker at this
4 point.
5 Q. Okay. I'd like to talk
6 about the business for a little bit?
7 A. Sure.
8 Q. Can you tell me what do you
9 see as sort of the central business
10 purpose of an L.A. Weight Loss Center,
11 the functions of an L.A. Weight Loss
12 Center?
13 A. Well I think the central
14 business purpose is to provide
15 nutritional counseling to overweight
16 people to help them loss weight.
17 Q. And there is a sales
18 component to what L.A. Weight Loss
19 Centers does, correct?
20 A. Correct, yes.
21 Q. What portion of the business
22 would you say is sales in terms of the
23 centers operations?
24 A. I would say that the sales

Page 13

1 obviously is the main portion of the
2 first 45 minutes that a client is
3 introduced to the store, but for the
4 following 16 weeks on average it's all
5 customer service. And I mean people buy
6 things along the way but it's not
7 necessarily sales per se beyond the third
8 day even.
9 Q. Now we're talking about sort
10 of sales in the abstract, what exactly is
11 sold at a L.A. Weight Loss Center?
12 A. Well there's two parts.
13 There's the service portion of the
14 program where they buy we'll call it
15 memberships and the second part is we
16 sell nutritional supplements that are an
17 optional part of our program that the
18 clients also purchase.
19 Q. What would you say is the
20 main source of revenue at L.A. Weight
21 Loss, is it supplements, is it the sale
22 of the program, what is it?
23 A. On average it's about 60-65
24 products, 35 percent service.

Page 26

1 when you say business consulting all
2 aspects of the business, those are the
3 three main things.

4 Q. Training, what kind of
5 training?

6 A. When somebody initially buys
7 a franchise they receive an owner's
8 training so they're taught all the parts
9 of the business, how to advertise, how to
10 train themselves, learning about the
11 diet, so on and so forth. And we also
12 provide training to their employees more
13 alienated to the operations of the store.

14 Q. Who provides their training?

15 A. Employees of the company.

16 Q. Have you ever provided their
17 training personally?

18 A. I believe I have
19 participated in owners' training but
20 never have I given exclusively a class on
21 training to a franchise.

22 Q. Do you recall what period of
23 time that was when you've done that?

24 A. Ongoing. I mean we're

Page 28

1 A. Right. I believe that we
2 placed the ads on the Internet for them
3 and took the initial calls or applicants
4 and did some initial screening for them
5 and set up interviews for either the
6 franchisee or the franchisee's employees.

7 Q. Did L.A. Weight Loss Centers
8 Incorporated make any actual hiring
9 decisions, any selections for the
10 franchisees?

11 A. No. No, we did not.

12 Q. Did L.A. Weight Loss Centers
13 provide training to the franchisees on
14 selection of employees?

15 A. Yes.

16 Q. How long did the company do
17 that?

18 A. I would think that we did it
19 since we've been franchising.

20 Q. Since 1997?

21 A. Correct.

22 Q. I want to talk a little bit
23 about the history of the company. My
24 understanding is I don't-- I want to try

Page 27

1 talking about maybe coming in for a half
2 hour and offering my suggestions and
3 answering questions as part of their
4 training.

5 Q. It's my understanding that
6 in the past L.A. Weight Loss Centers has
7 provided recruiting, employee recruiting
8 services to its franchisees; is that a
9 correct statement?

10 A. Yes.

11 Q. Can you elaborate on that,
12 what kind of services in that realm?

13 A. All right. Now I'm going to
14 elaborate as much as I know because
15 during that period that we provided that
16 service my focus was primarily on the
17 corporate operations, so.

18 Q. Let's be clear, what period
19 are we talking about?

20 A. I believe the last year or
21 two.

22 Q. Can you tell me what kind of
23 recruiting functions were done by the
24 corporate, by L.A. Weight Loss Centers?

Page 29

1 and keep this as brief as I can today so
2 I'm going to spoon feed you some of the
3 stuff.

4 A. Okay.

5 Q. My understanding is that
6 L.A. Weight Loss Centers Incorporated was
7 a combination of a number of companies;
8 is that correct?

9 A. Yes.

10 Q. And some of the names of the
11 companies included Quick Weight Loss
12 Centers Incorporated, right?

13 A. Yes.

14 Q. Medical Weight Loss Center
15 of Central-- Center Pennsylvania; is that
16 correct?

17 A. I think it was Weight Loss
18 Centres of Central Pennsylvania, then we
19 had Weight Loss Centres of New York, New
20 Jersey. There was Medical Weight Loss
21 Centers in Pennsylvania. I'm not sure if
22 there were any other companies.

23 Q. These companies were owned
24 by either yourself or Scott Moyer,

Page 30

1 correct?
2 A. Well, not exclusively,
3 either they were owned by me or they were
4 owned by myself and Scott.
5 Q. Okay. So we have Physicians
6 Weight Loss Center, Medical Weight Loss,
7 Weight Loss Centres of New York, Weight
8 Loss Centres of New Jersey, Quick Weight
9 Loss Centers, can you think of any
10 others?
11 A. We were never physicians.
12 Q. Okay, I'm sorry.
13 A. I'm not sure. I recall in
14 Pittsburgh we talked about being called
15 Family Weight Loss Centers but I'm not
16 sure if we actually did that, that's like
17 going back to like '96, it was for a very
18 short period of time. And we may have
19 done business under that name but under
20 the corporation of Weight Loss Centres of
21 Pennsylvania, that would be it as I can
22 recall.
23 Q. At the time that all these
24 companies sort of were merged or were

Page 31

1 ultimately organized as this L.A. Weight
2 Loss Centers Incorporated, was there any
3 one company or more companies whose mode
4 of doing business, policies or
5 procedures, anything of that nature, was
6 adopted by the new company, by L.A.
7 Weight Loss Centers Incorporated?
8 A. Make sure I understand the
9 question, your question. You want to
10 know if there was another company that
11 merged into what became L.A. Weight Loss
12 Centers?
13 Q. Well, of those companies
14 that eventually became L.A. Weight Loss
15 Centers that we just talked about.
16 A. Right.
17 Q. What I'm trying to get at
18 is, is any one of them or more of them
19 were there policies or were there
20 procedures regarding anything, regarding
21 how the centers operate, regarding
22 recruiting, regarding basically any
23 aspect of operations, were those imported
24 into the new business into L.A. Weight

Page 32

1 Loss Centers Incorporated?
2 A. Yes. Whatever policies
3 existed at the time they were merged into
4 the company and imported into them.
5 Q. Did all these companies have
6 the same procedures and policies and ways
7 of operating their centers?
8 A. Let me think about that.
9 Pretty much, yes.
10 Q. So I guess what I'm getting
11 at is, was there any significant change
12 at the time that L.A. Weight Loss Centers
13 Incorporated was formed, was there any
14 significant change in the way the centers
15 that were formally other corporations
16 were doing business?
17 A. Not at the center level, no.
18 Q. I want to talk about one of
19 those businesses. How long was Quick
20 Weight Loss Centers in existence?
21 A. 1993 I believe we opened our
22 first store in Baltimore and I guess that
23 existed until the time of the merger
24 which would have been February of '97.

Page 33

1 Q. At the time of the merger
2 how many centers were there within Quick
3 Weight Loss Centers?
4 A. Quick Weight Loss Centers,
5 I'm going to guess between six and eight,
6 but.
7 Q. How many originally L.A.
8 Weight Loss Centers were there?
9 A. Original L.A. Weight Loss?
10 Q. Yes. When it was first
11 organized in February of '97?
12 A. Well, none of them were
13 original they were all parts of different
14 companies.
15 Q. Right, but when they became
16 L.A. Weight Loss Centers?
17 A. How many total were there?
18 Q. Yes.
19 A. 47 is the number that comes
20 to mind. 47 or 43.
21 Q. It's an approximate?
22 A. Yes.
23 Q. Can you tell me who your
24 managers were at Quick Weight Loss,